

# Corporate governance (summary)

The Directors are responsible to the shareholders for the performance of Cavotec MSL in both the short and the longer term and seek to balance these sometimes competing objectives with the best interests of the Group as a whole. Their focus is to further the interests of shareholders and other key stakeholders and to ensure Cavotec MSL is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Group. The corporate governance principles adopted by the Group under its Corporate Governance Code do not materially differ from the Corporate Governance Best Practice Code set out in the NZSX Listing Rules.

The functions of the Board include:

- Reviewing and approving of corporate strategies, the annual budget and financial plans.
- Overseeing and monitoring organizational performance and the achievement of Cavotec MSL's strategic goals and objectives.
- Monitoring financial performance, including approval of the annual and interim financial reports and liaising with Cavotec MSL's auditors.
- Appointing the Executive Chairman, the CEO and the members of the senior management team and assessing their performance.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of Cavotec MSL.
- Ensuring the significant risks facing Cavotec MSL and its controlled entities have been identified and that appropriate and adequate control, monitoring and reporting mechanisms are in place.
- Reporting to shareholders.

A description of Cavotec MSL's main corporate governance practices is outlined below. All these practices, unless otherwise stated, were in place for the entire year.

## THE BOARD OF DIRECTORS

The Board operates in accordance with the broad principles set out in its charter, including that:

- The Board should comprise both executive and non-executive directors with a majority of independent directors. At the date of signing the Annual Report, the Board consisted of seven independent and four executive directors.
- The Chairman of the Board is elected by the full Board and should meet regularly with the CEO.
- There is sufficient benefit to Cavotec MSL in maintaining a mix of directors on the Board from different backgrounds with complementary skills and experience.
- The Board should undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to Cavotec MSL. The Board's current practice is that the review discussion is facilitated by the Chairman outside the normal programme of Board meetings. Outcomes of the review are documented together with the goals which are established for the coming year.

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the audit, the remuneration, and the nomination committees and are comprised entirely of Independent Directors. The committee structure and membership is reviewed on an annual basis. Each of these committees has its own written charter that details its role and responsibilities and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Cavotec MSL's constitution specifies that all directors must retire from office no later than the third annual meeting following their last election. In addition, the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of Cavotec MSL and directors with an external or fresh perspective.

#### **COMMITMENT**

During the year, the Board meets about six times and in addition, corporate strategy workshops are held. At least one of those meetings is held at an operational site of the Group and a full tour of the facilities is included as part of the visit. Independent Directors are expected to spend at least ten to twenty days a year preparing for and attending Board and committee meetings and associated activities.

#### **INDEPENDENT PROFESSIONAL ADVICE**

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Cavotec MSL's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

#### **REMUNERATION COMMITTEE**

The remuneration committee is focused on establishing transparent and fair compensation plans for senior managers. The compensation plans should reflect market conditions in the various countries where Cavotec MSL is operating. The remuneration committee is also entrusted with evaluating the result of salary reviews for senior managers and determining compensation plans for the Executive Chairman and CEO. During 2010, the remuneration committee has carried out, with the support of MERCER, a complete position analysis of senior managers and linked the outcome to compensation database statistics for all markets.

#### **NOMINATIONS COMMITTEE**

The nominations committee is instrumental in drafting an Annual Governance Review that engages all members of the Board in seeking their individual and collective views on all matters of corporate governance. The findings are then circulated to all members and discussed at a special board session. The outcomes are intended to help improve the efficiency in management reporting and communication, succession planning and a key focus on strategic planning processes. In addition, the Committee acts as a conduit for receiving, processing and providing advice on nominations received for the role of a Director to be considered by shareholders at the forthcoming Annual General Meeting.

#### **AUDIT COMMITTEE**

The Audit Committee consists of three Independent Directors. All of the members are financially experienced and have relevant finance and/or auditing experience. One of them, namely Lakshmi C. Khanna, is a Chartered Accountant while Joe Pope is an accredited Fellow of the Institute of Directors. The charter for the Audit Committee, which also summarizes its responsibilities, is contained in the Corporate Governance Code adopted by the Group.

The Audit Committee met five times in 2010 and it received regular reports from the management. The Committee reviewed and reported to the Board on the Annual Report and the Interim Report and all other financial information published or released to the market. It met periodically with the external auditors, reviewed the terms of their engagement and the scope of their audit work and the conclusions of their work. The external auditors and the Internal Audit Manager both have a direct line of communication at any time to the Chairman of the Audit Committee and to the Chairman of the Board of Directors.

## BOARD AND COMMITTEE ATTENDANCE 2010

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Fabio Cannavale*	6	6	-	-	-	-	-	-
Michael Cashin	6	5	5	4	3	2	3	2
Leena Essén**	6	2	-	-	-	-	-	-
Nicola Gerber***	6	1	-	-	-	-	-	-
Jack Groesbeek	6	5	-	-	-	-	3	2
Lars Hellman*	6	5	-	-	-	-	-	-
Lakshmi Khanna	6	6	5	5	-	-	3	3
Erik Lautmann	6	6	-	-	3	3	-	-
Christer Granskog****	6	6	1	1	3	3	-	-
Joe Pope****	6	6	5	5	3	3	3	1
Ottonel Popesco	6	6	-	-	-	-	-	-
Stefan Widegren	6	6	-	-	-	-	-	-

\* Elected to the Board of Directors on April 27, 2010; \*\* Elected to the Board of Directors on October 18, 2010;

\*\*\* Elected to the Board of Directors on December 4, 2010; \*\*\*\* Elected respectively to the Audit/Nominations Committees on December 4, 2010.

### INTERNAL AUDIT

The internal audit function was introduced in 2007 in conjunction with the risk management programme, and focuses on the operation, effectiveness and efficiency of the internal control environment. A specific Internal Audit Manager was appointed with the intention to reinforce the internal audit procedures of the Group. In 2010, 10 Cavotec companies underwent an internal audit, and no significant weaknesses or non-compliance issues were detected.

### DIVIDEND POLICY

The Board of Directors aims to distribute a return to shareholders between 15% and 20% of the annual recurring net profit.

### INFORMATION POLICY

The Company complies with the guidelines set forth in the Cavotec MSL Information Policy, which has been approved by the Board of Directors and is available for download from [www.cavotec.com](http://www.cavotec.com)

### INFORMATION USED BY DIRECTORS

No member of the Board of Cavotec MSL Holdings Ltd, or any subsidiary, issued a notice requesting to use Group information received in their capacity as directors which would not otherwise have been available to them.

### RISK MANAGEMENT

Risk management is a key part of the Company's control system. The purpose of risk management is to ensure that risks related to business operations of the Company are identified and managed adequately and appropriately. All Managing Directors in the company assist the CEO with active risk management on a daily basis. The Risk Management Policy has been approved by the Board of Directors.

## INTERESTS REGISTER

The Group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for the Parent is available for inspection by shareholders at the registered office of the Parent. Details of the most significant matters that have been entered in the interests register by individual directors are outlined in their respective director profiles. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transactions between the Parent or Group and the identified entities.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Parent indemnifies all directors named in this report, and current and former executive officers of Cavotec MSL's against all liabilities (other than to the Parent or member of the Group), relating to the performance of their normal duties as Director or Executive Officer, unless the liability relates to conduct involving lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity. To manage this risk, Cavotec MSL has a D&O indemnity insurance with Dual Corporate Risks.

## DIRECTORS' REMUNERATION 2010

Board of Directors	Director fees	Other remuneration*	Bonus
<b>Executive Directors</b>			
Leena Essén	-	259,620	52,426
Lars Hellman	-	275,659	38,889
Ottonel Popesco	-	424,161	108,747
Stefan Widegren	-	521,998	163,120
<b>Subtotal remuneration to Executive Directors</b>	<b>-</b>	<b>1,481,438</b>	<b>363,182</b>
<b>Independent Directors</b>			
Fabio Cannavale	25,883	-	-
Michael Cashin	43,383	-	-
Christer Granskog	30,883	-	-
Jack Groesbeek	30,883	47,270	-
Lakshmi Khanna	38,383	65,000	-
Erik Lautmann	33,383	-	-
Joe Pope	35,883	-	-
<b>Subtotal remuneration to Independent Directors</b>	<b>238,681</b>	<b>112,270</b>	<b>-</b>
<b>Total to Cavotec MSL Board members in EUR</b>	<b>238,681</b>	<b>1,603,708</b>	<b>363,182</b>

\* Other remunerations include base salary, pensions, social costs and other benefits for the executive Directors, and fees for other services for Independent Directors.

\*\* Paid out in subsequent year.

## DIRECTORS' SHARE DEALINGS 2010

Directors	Shares acquired	Shares disposed	Consideration EUR
Fabio Cannavale	116,403	-	188,588
Christer Granskog	2,565	-	4,520
Jack Groesbeek	-	100,000	161,473
Leena Essén	100,000	-	161,473
<b>Total in EUR</b>	<b>218,968</b>	<b>100,000</b>	<b>516,054</b>

## DIRECTORS' RELEVANT INTEREST IN CAVOTEC MSL (CCC) SECURITIES

Interests per December 31 <sup>st</sup> , 2010	Number of shares held
Fabio Cannavale (through Nomina SA)	6,281,046
Animato Enterprises Ltd (Estate of Michael Cashin)	305,000
Leena Essén (through Anelea Holdings Ltd)	965,821
Christer Granskog (through Oy Piceum Ab)	2,565
Jack Groesbeek	689,688
Lars Hellman (through Nordea Life & Pension)	7,668,122
Lakshmi Khanna	263,406
Erik Lautmann	87,802
Joe Pope	10,000
Ottonel Popesco	2,630,720
Stefan Widegren	6,711,087
<b>Total shares held by Directors in Cavotec MSL Holdings Ltd</b>	<b>25,615,257</b>

## DIRECTORS OF SUBSIDIARIES

In most cases, the Boards of the Group's subsidiaries are comprised of members of the Group's management. These directors do not receive any additional director's fees of remuneration.

## THE EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EXCO) consists of Group senior managers and officers who assist the CEO with managing and implementing Group decisions and strategies. In addition to its members' daily management role, EXCO has the task of assisting the CEO and the Board of Directors with formulating future strategies, preparing budgets and special reports and assisting in the identification, negotiation and integration of possible acquisition targets. EXCO members meet at 2-3 strategy meetings per year, and individual members maintain contact with each other as and when the need arises.

## INSIDER REGISTER

Cavotec MSL is governed by the Insider Rules established by the New Zealand Stock Exchange. The Cavotec MSL Insider Register includes members of the Board of Directors, the Executive Chairman and the CEO, the Executive Management Committee, MD's of subsidiaries, the auditors, as well as other persons having a comparable position in the Group based on the decision of the Company. Persons registered in the Insider Register are not allowed to trade in Cavotec MSL securities during a period commencing on the first day of each semester and ending upon the publication of the corresponding Interim Report or Financial Statements of the Company.

D24



# Main shareholders

## TWENTY LARGEST ORDINARY EQUITY HOLDERS

Shareholders	Nationality	Actual Ownership 31 December 2010	Total (%)
New Zealand Central Securities	New Zealand	10,680,743	16.78%
Nordea Life & Pension	Luxemburg	7,668,122	12.05%
Nomina SA	Luxemburg	6,281,046	9.87%
Stefan Widegren	Switzerland	3,355,544	5.27%
Lotten Widegren	Switzerland	3,355,543	5.27%
Brevetti Stendalto SpA	Italy	3,222,869	5.06%
Peter Brandel	Switzerland	2,952,348	4.64%
Hans Olof Jeppson	Italy	1,993,420	3.13%
Dragos Private Foundation	The Netherlands	1,667,996	2.62%
Gema Invest AS	Norway	1,358,979	2.14%
Ottonel Popesco	Switzerland	1,344,234	2.11%
Dominique Popesco Colas	Switzerland	1,286,486	2.02%
SR International SA	Luxemburg	968,639	1.52%
Anelea Holdings Ltd	Cyprus	965,821	1.52%
Sandro Teruzzi	Italy	965,498	1.52%
Michael Widegren	Switzerland	964,611	1.52%
John David Cooper	Philippines	939,474	1.48%
Simon Fiduciaria SpA	Italy	906,258	1.42%
Erik Wilhelmsen	Norway	843,843	1.33%
Robert Friedrich Weber	New Zealand	800,000	1.26%
<b>Subtotal</b>		<b>52,521,474</b>	<b>82.54%</b>
<b>Total</b>		<b>63,632,700</b>	

## DISTRIBUTION OF EQUITY SECURITIES

Range of Equity Holders	Number of holders	Number of shares held	% of issued shares
1 - 4,999	754	1,201,618	1.89%
5,000 - 9,999	142	895,274	1.41%
10,000 - 49,999	120	2,242,646	3.52%
50,000 - 99,999	19	1,315,599	2.07%
100,000 - 499,999	13	2,726,109	4.28%
500,000 - 999,999	12	10,084,124	15.85%
1,000,000 plus	12	45,167,330	70.98%
	<b>1,072</b>	<b>63,632,700</b>	<b>100.00%</b>

## SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with Section 35F of the Securities Markets Act 1988. According to notices received, the following persons were substantial security holders in the Company as at December 31st, 2010:

Holder	Number of shares held
New Zealand Central Securities	10,680,743
Nordea Life & Pension	7,668,122
Nomina SA	6,281,046
Stefan Widegren	3,355,544
Lotten Widegren	3,355,543
Brevetti Stendalto SpA	3,222,869

*The total number of issued voting securities of the Company as at December 31st, 2010 was 63,632,700.*

## SHAREHOLDER INFORMATION

The ordinary shares of Cavotec MSL Holdings Ltd are listed on the New Zealand Stock Exchange. The information in the disclosures above has been taken from the information available by Link Market Services.

## SHAREHOLDER ENQUIRIES

Shareholders should send changes of address and requests for payment of dividends by direct credit to Link Market Services at the address noted in the directory. Notification must be in writing. Questions relating to shareholdings or share certificates should also be addressed to Link Market Services.

For information about Cavotec MSL Holdings Ltd., please contact the registered office by sending an e-mail to [investor@cavotec.com](mailto:investor@cavotec.com) or visit us at our website [www.cavotec.com](http://www.cavotec.com)

## AUDITORS

The principal auditor for the Group is PricewaterhouseCoopers (PWC). In addition to audit services, PWC provided tax and other assurance services during the year. For a detailed breakdown of the audit fees please refer to note 28.